



INQUIRY INTO THE RENEWABLE HEAT INCENTIVE SCHEME

DATE: 30.11.18

Witness Statement of: Emer Morelli

I, Emer Morelli, provide this Witness Statement on behalf of the Department of Finance. I will say as follows: -

1. On Day 106 of the Inquiry's Oral hearings the Inquiry requested a statement from the Department of Finance (DoF) formerly the Department of Finance and Personnel (DFP) on irregularity and HMT funding¹.
2. With regard to irregular spend, Managing Public Money Northern Ireland² states:-

"A.2.3.16 If DFP does not give retrospective approval or authorise write-off of irregular expenditure, DFP will inform the NIAO [Northern Ireland Audit Office]. DFP may also draw the matter to the attention of the responsible Accounting Officer. The C&AG [Comptroller and Auditor General] may then qualify his or her opinion on the account and the PAC may decide to hold an oral hearing."
3. In Northern Ireland, ultimate responsibility for determining irregular spend rests with the NIAO. It is the NIAO which determines, through its financial work, whether an irregularity is "material" or not. As set out above, where the NIAO determines that an irregularity is material the irregularity is reflected in the annual accounts of a department. The Public Accounts Committee may then also decide to consider the matter – as was the case with the RHI scheme³.
4. HMT has never sought details from DFP/ DoF of irregular expenditure incurred by NI departments, nor is it routinely provided.

¹ TRA-15836 (line 14) to TRA-15842 (line 19), Trevor Cooper's Oral Evidence Session

² DoF-59049

³ See DOF 42016/17, (letter from Emer Morelli to Kieran Donnelly (C&AG) dated 19 January 2016)



5. While there is, of course, a requirement to seek to ensure that all expenditure achieves regularity, propriety and value for money, expenditure which has been, or requires to be⁴, incurred by a Northern Ireland department (albeit irregular spend) still needs to be funded, this is the case whether the funding classification is DEL or AME.
6. In the case of the RHI scheme, the AME forecasts submitted to HMT on 9th October 2015⁵ contained an element of irregular spend, in that DFP had not, at that stage, approved either the retrospective or prospective element of the addendum business case⁶.
7. At that stage, however, there was active engagement between DFP and DETI officials leading up to the submission of the business case addendum and it was not at that point clear whether there would be an irregular spend. In order to inform DoF's decision as whether the spend was irregular DoF required DETI to:
 - Provide a justification in the addendum business case as to why DFP approval should be given retrospectively to regularise expenditure from the expiry of the original DFP approval at the end of March 2015; and
 - Provide a further justification in the addendum business as to why DFP approval should be given to changes to the scheme to improve value for money going forward.
8. Even after DFP approved the prospective element of the scheme⁷ some of the expenditure being incurred on RHI remained "irregular" as DoF did not accept DETI's request for retrospective approval for expenditure between April 2015 and November 2015.

⁴ For legislative reasons, for example

⁵ DoF 03401

⁶ DOF-04546, submitted to DoF on 27 October 2015

⁷ DOF-04624, dated 29 October 2015



9. Since the requirement to incur expenditure for the RHI scheme was legislative, and the funding for the RHI scheme was classified as AME rather than DEL, DETI/DfE was required to continue to forecast committed expenditure through the AME forecast exercises⁸. This was the means of obtaining the necessary funding from HM Treasury to meet the ongoing commitments under RHI. This was the case irrespective of whether the funding was regular or irregular.

Statement of Truth

I believe that the facts stated in this DOF Corporate Witness Statement are true.

Signed: Enzo Merelli

Dated: 30th November 2018

⁸ As set out in the Jon Parker email dated 15 April 2011 See DOF 02347
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